

Message Text

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67

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 AGR-05 /055 W

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R 111310Z FEB 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 496

INFO ALL EC CAPITALS 1661

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: NEW DRAFT EC COMMISSION PROPOSAL ON ALCOHOL

REF: (A) 72 EC A-149, (B) 72 STATE 192180

1. A DRAFT PROPOSAL FOR AN ALCOHOL CAP IS NOW MAKING THE ROUNDS OF THE COMMISSION'S INTERNAL SERVICES, AND MAY BE APPROVED BY THE COMMISSION AND SUBMITTED TO THE COUNCIL AFTER THE EC 1976/77 AGRICULTURAL PRICE NEGOTIATIONS ARE OVER. A MISSION OFFICER SPOKE TO THE COMMISSION OFFICIAL WHO HAS BEEN HANDLING THIS AT THE TECHNICAL LEVEL EVER SINCE THE COMMISSION PUT OUT ITS FIRST PROPOSAL IN 1972 (REF. A). HE TOLD US THAT HIS DRAFTING INSTRUCTIONS THIS SECOND TIME AROUND WERE TO REMOVE AS MANY OF THE PROVISIONS AS POSSIBLE WHICH THE MEMBER STATES AND THIRD COUNTRIES FOUND OBJECTIONABLE IN THE EARLIER PROPOSAL. IN THIS REGARD, HE WAS KEEPING A "CLOSE EYE" ON THE POINTS RAISED BY THE U.S. IN ITS AIDE-MEMOIRE (REF. B.).

2. ACCORDING TO OUR SOURCE, THE NEW PROPOSAL DIFFERS FROM THE EARLIER ONE IN THAT IT NO LONGER PROVIDES FOR THE STATE TRADING OF IMPORTS NOR DOES IT PROHIBIT EC PRODUCTION OF AGRICULTURAL

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ETHYL ALCOHOL AND SPIRITS FROM IMPORTED RAW MATERIALS. LEVIES

WOULD APPLY TO IMPORTS OF ALCOHOL BUT THE EC WOULD RESPECT GATT BINDINGS. THERE WOULD BE PROVISION FOR EXPORT SUBSIDIES, WHICH OUR SOURCE CALLED A SINE QUA NON OF ANY EC COMMON AGRICULTURAL TRADE SYSTEM. HOWEVER, HE STATED THAT THE EC WOULD BE SURE TO USE "PRUDENCE" IN APPLYING EXPORT SUBSIDIES, AND HE COULD NOT ENVISAGE ANY SUBSIDIES FOR DIRECT EXPORTS TO THE U.S.

3. DESPITE THE RECORD OF MANY YEARS OF DISCUSSION OF AN EC ALCOHOL CAP, OUR SOURCE IS OPTIMISTIC THAT THE COUNCIL WILL APPROVE A PROPOSAL BEFORE THE END OF THE YEAR AND THAT THE NEW CAP WILL BE EFFECTIVE BY JULY, 1977. HE FEELS THAT THE NEW DRAFT RECONCILES MOST OF THE MEMBER STATE DIFFERENCES AND SHOULD NOT POSE DIFFICULTIES FOR THIRD COUNTRIES LIKE THE U.S.

4. WE OF COURSE RESERVE JUDGEMENT ON THE NEW PROPOSAL UNTIL WE SEE THE FINAL COMMISSION-APPROVED VERSION. MORRIS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ALCOHOLIC BEVERAGES
Control Number: n/a
Copy: SINGLE
Draft Date: 11 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU01399
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760052-0975
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760261/aaaacayz.tel
Line Count: 77
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 192180, 72 EC BRUSSELS A-149
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 26 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 MAR 2004 by ElyME>; APPROVED <30 JUN 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW DRAFT EC COMMISSION PROPOSAL ON ALCOHOL
TAGS: EAGR, ETRD, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006